



# Financial Crimes Enforcement Network

*A bureau of the U.S. Department of the Treasury*

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## **FinCEN Mortgage Fraud Report** *Growth in Mortgage Repurchases Increases Fraud Detection*

VIENNA, Va. – The Financial Crimes Enforcement Network (FinCEN) today released its latest mortgage fraud analysis – titled [\*Filing Trends in Mortgage Loan Fraud\*](#) – that shows suspicious activity reports (SARs) filed on suspected mortgage fraud increased 44 percent in the 12 months ending in June 2008 compared with the prior year.

“The continued rate of growth in mortgage fraud SAR filings underscores the increased vigilance and awareness of financial institutions, particularly as they continue to try to mitigate possible credit losses,” said FinCEN Director James H. Freis, Jr. “For instance, one of the trends FinCEN spotted in this latest round of analysis is the increase in mortgage fraud detection in connection with mortgage purchasers sending home loans back to originators for repurchase.” Filing institutions referenced repurchase demands in 8 percent of filings.

Overall, from July 1, 2007 through June 30, 2008, the 12-month period examined for this analysis, financial institutions filed 62,084 depository institution SARs reporting mortgage loan fraud, up 44 percent from 43,054 reported from July 1, 2006 through June 30, 2007. The 62,084 figure represents 9 percent of all depository institution SARs filed during the period.

In addition to suspicion triggered in connection with repurchase demands, there were other trends in the growth in suspected mortgage fraud. Filing institutions referenced foreclosures in 13 percent of their SAR filings, insurers in 8 percent and early default payments in 2 percent of filings as indications of suspected fraud. These patterns of filings generally involved the detection of suspected fraud after the mortgage had been granted. That notwithstanding, there also was an increase in the percentage of SARs filed prior to granting the loan (34% as compared to 31% in the prior one-year period, which, as highlighted in FinCEN’s April 2008 report, was an increase from 21% over the preceding decade). The overall SAR filing trend does not necessarily reflect fraudulent activity on current mortgage originations.

FinCEN has issued three public mortgage fraud reports – part of a series released since 2006 – based upon an analysis of SAR filings by depository institutions where mortgage loan fraud is

specifically indicated. For the second consecutive year, mortgage loan fraud was the third most reported SAR activity during the reporting period behind the general Bank Secrecy Act/structuring/Anti Money Laundering (BSA/AML) category, and check fraud. Nearly 900 filing institutions submitted SARs reporting mortgage loan fraud SARs over the most recent 12-month period studied.

In 2009, FinCEN is conducting additional analyses to examine the relationship between mortgage loan fraud and other financial fraud, and will further explore reported activities, locations, and subjects. In this context, FinCEN will further examine identity theft, international connections, and mortgage-related activities found in other BSA reports.

### **Background**

Suspicious Activity Reports filed with FinCEN by depository institutions are a critical source of information for law enforcement in investigating and prosecuting mortgage fraud related crimes. In addition to its published analytical reports, FinCEN provides technical expertise and both strategic and tactical support to the law enforcement and financial regulatory communities at the Federal and State levels to investigate and prosecute mortgage fraud and to protect the financial industry and its customers.

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